

Predictions for Future of the Telecommunications and Broadband Industry

The year 2020 changed all of our lives and disrupted almost every industry around the globe. These unprecedented times have accelerated certain structural changes, consumer habits, and pricing trends in the telecom and broadband industry. The companies in this industry are shifting to critical strategic opportunities that will allow them to recover from the pandemic and boldly position themselves to improve business outcomes. Here are 4 predictions for the future of the telecom and broadband industry.

The gap between cable and streaming will become less

Subscription services will become more expensive in the near future, closing the gap between the cost of streaming and cable services. In October 2020, Netflix announced an increase in the standard and premium plans, and other competitors are expected to follow suit. The increase in production budgets and the outpouring of streaming content will continue to push subscription prices up. Several consumers rely on multiple streaming services for a variety of content. As the prices go up across different streaming platforms, it is expected to make a significant impact on overall consumer spending on streaming services.

The cost of streaming is more than just the subscription price. It requires consumers to pay for high-speed internet access, which can be expensive. Most streaming service providers recommend at least 5 MBps for HD quality video to 25 MBps for Ultra-HD video. As the price of streaming increases, customers will continue to evaluate whether streaming offers good value for money.

There will be an increase in broadband usage resulting in higher prices

Over the last year, many Americans have realized that internet access has become a necessity for survival. From remote work to grocery shopping, everything seems to rely on uninterrupted internet access. Not only has the reliance on the internet increased, but the usage of the internet has also increased.

Broadband services continue to be the primary source of internet for the majority of US households. As broadband usage continues to rise and becomes like a utility, the price of broadband is expected to go up. Broadband prices have already increased in certain regions, a trend that will continue to spread across the country. According to data from OpenVault, broadband usage in the US increased by 40% over the last 12 months in May 2021. This is the highest annual growth for nearly a decade. The increase in broadband usage will require operators and ISPs to upgrade some of their infrastructures. The cost of this upgrade is expected to be passed on to the consumers in higher bills.

Smaller telecom companies will bridge the digital divide

Americans living in small cities or rural areas have made large gains in adopting digital technology but are less likely to own a smartphone or have broadband at home compared to residents of metropolitan cities. One of the changes expected in the near future is for smaller telecom and broadband companies to bridge this digital divide. The partnership between independent telecom operators and electric co-operatives might lead the way for broadband in rural America. With electric co-operatives in play, there is a chance of better market penetration as these co-operatives tend to provide their services to all their customers across the board, and not just to regions that offer better profit margins.

According to United Nations Educational, Scientific and Cultural Organizations (UNESCO), the United States ranks 24th in the world in household broadband penetration. If the US is to catch up to the rest of the world, it needs to build up its rural broadband infrastructure. While the telecom giants are going to continue dominating the larger cities, smaller regional players are going to look at rural areas to expand their broadband services. To successfully close the digital divide, telecom operators need to establish smarter digital networks using innovative technologies for optimum efficiency.

A case study by Deloitte for Alger County, MI, highlighted the broadband challenges for remote habitations and rural towns. The findings of this case study revealed that funding to address broadband availability is not the only issue. Additional factors such as affordability of services and meaningful competition between broadband providers in the region are required to maximize investment and adoption of broadband services in rural America.

Increase in Network Investment Through Non-Traditional Methods

While there has been an increase in federal broadband grants and municipal bonds that will boost broadband network investment, there will be other non-traditional investment methods will come into play. This includes low-risk financial mechanisms such as public-private partnerships, private equity, and low-interest loans.

The majority of funds for network investment will continue to come from federal-based grants coming from the Biden government. There will be a need for better accessibility and utilization of these grants if telecom and broadband companies are to make the most use of these funds. One of the ways to better utilize these federal funds is by providing more access to state and regional broadband providers who have a better understanding of local requirements and are more capable of navigating unique regional challenges. The US telecom and broadband industry are ripe for investment as infrastructure investors from Europe are showing a keen interest in replicating some of the success they have had in other markets around the globe.

The COVID-19 pandemic has placed the US economy at a pivotal moment as the prosperity of the economy may depend on fast, affordable, and reliable broadband connectivity. The relationship between economic growth and broadband connectivity makes the next few years critical for smaller cities and rural America. As smaller telecom companies and partnerships look to expand in these uncharted territories, there is an opportunity to close the digital divide that has impacted the country for over 25 years. Broadband investment through traditional and non-traditional methods will be key in supporting the expansion of broadband services. With more players emerging in the competitive landscape for streaming services and the increase in subscription prices, cable services might become bigger than ever before. The next few years promise to be an exciting phase for the telecom and broadband industry.